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Before the  
Federal Communications Commission  
Washington, D.C. 20554

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FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

In the Matter of )  
 )  
Calling Party Pays Service Option in the Com- )  
mercial Mobile Radio Services )

WT Docket No. 97-207

To: The Commission

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### COMMENTS OF BELLSOUTH

BellSouth Corporation ("BellSouth"), by its attorneys, hereby submits these comments in response to the Commission's *Notice of Inquiry*, WT Docket No. 97-207, FCC 97-341 (released October 23, 1997), *summarized*, 62 Fed. Reg. 58,700 (1997). The *Notice of Inquiry* ("NOI") has asked for preliminary comment to establish a record regarding Calling Party Pays ("CPP"). BellSouth applauds the Commission's effort to proceed through *NOI* so that it can compile information on CPP in the United States before deciding whether to initiate a rulemaking. Such efforts will assist the industry in fully evaluating CPP. At this preliminary *NOI* stage, BellSouth sets forth several issues with regard to CPP that it believes merit further examination. BellSouth looks forward to reviewing the entirety of the comment record developed in this inquiry to more fully determine what best serves the public interest.

#### I. DOMESTIC PUBLIC POLICY ISSUES

##### A. Should Regulatory Intervention Dictate Which Services Carriers Offer to Their Subscribers?

BellSouth questions whether the Commission should impose regulations which dictate which services carriers offer to their subscribers. As the Commission stated in its recent *Second Report* on competition in the CMRS industry, "[t]he Commission has continued systematically to remove

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regulatory barriers in order to facilitate competition.”<sup>1</sup> As a result, the wireless market enjoys increasingly robust competition, and as more CMRS competitors enter the marketplace, lower prices and increased service options to meet customer demand are being offered.<sup>2</sup> Absent the development of evidence to the contrary in this inquiry, reliance on competitive forces may be the best means for determining whether the industry makes CPP available. This is especially true when “recent developments, including increased competition in the CMRS market [and] the related decrease in CMRS rates . . . [have] create[d] sufficient market incentives for CMRS carriers” to offer service options and incentives other than CPP.<sup>3</sup>

**B. The Competitive Marketplace Will Dictate Pricing Structures**

In many areas of the United States CMRS is emerging as a viable alternative to the wireline services provided by LECs. However, as the Commission recognizes, “[w]idespread use of CPP could decrease the extent to which some consumers view CMRS and wireline telephony as close substitutes” due to either actual or perceived “differences in pricing between local telephone service and the CPP service option.”<sup>4</sup> BellSouth believes that the competitive marketplace will dictate pricing structures over time and that the Commission should defer to such market forces.

**C. The Domestic Demand for CPP Has Not Clearly Materialized**

The Commission seeks comment on why CPP is not offered more broadly and what the consumer demand is for the service.<sup>5</sup> As the Commission has noted, CPP is offered in several areas

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<sup>1</sup> *Implementation of Section 6002(b) of the Omnibus Budget Reconciliation Act of 1993; Annual Report and Analysis of Competitive Market Conditions With Respect to Commercial Mobile Services, Second Report*, 12 F.C.C.R. 11266, 11273 (1997) (“*Second Annual CMRS Competition Report*”).

<sup>2</sup> *See id.* at 11269-78, 11323-26.

<sup>3</sup> *NOI* at ¶ 8.

<sup>4</sup> *NOI* at ¶ 18.

<sup>5</sup> *NOI* at ¶ 8.

throughout the country,<sup>6</sup> yet the results have been mixed from the perspective of both cellular carriers and LECs.<sup>7</sup> This is due, in part, to the fact that the demand for the CPP model of billing has not yet clearly emerged. As CTIA's report notes, "[t]here is a scarcity of hard data regarding the stimulative effect of CPP in the United States,"<sup>8</sup> despite the fact that it is currently being offered in several areas throughout the country. Instead, practically every study addressed by CTIA is based upon "popular attitudes," "probable demand," and "anecdotal evidence" towards CPP.<sup>9</sup> In the only study cited by CTIA that relied upon surveys of *actual* users of CPP in the U.S., BellCore was guarded in projecting market demand for CPP "inasmuch as the actual CPP subscribers do not perceive themselves as receiving or placing more calls than they previously experienced prior to subscribing to CPP."<sup>10</sup>

Accordingly, BellSouth looks forward to reviewing any hard evidence submitted on this issue during in the course of this inquiry. BellSouth's own domestic experience with CPP has reflected a lack of consumer interest in the service and a lack of economic value for BellSouth. Indeed, BellSouth's wireless affiliate in Hawaii, Honolulu Cellular Telephone Company ("HCTC"), will discontinue on December 31, 1997, the CPP offering it had initiated in December 1994 due to increased costs and decreased consumer demand. Only 39 of HCTC's customers were subscribers to CPP in November 1997; the highest level of subscribership which the company ever had was a mere 134 customers.

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<sup>6</sup> NOI at ¶ 6.

<sup>7</sup> See, e.g., *CTIA Preparing White Paper to Raise Awareness of Calling Party Pays*, PCS Week, Vol. 8, No. 17 (Apr. 23, 1997) (discussing mixed reviews from cellular trials); *CTIA Intensifies Promotion of "Calling Party Pays,"* Mobile Phone News, Vol. 15, No. 16 (Apr. 21, 1997) (describing mixed reviews from companies that have tried CPP).

<sup>8</sup> CTIA Report at 11.

<sup>9</sup> CTIA Report at 11-12 (emphasis added).

<sup>10</sup> CTIA Report at 12.

One reason for the lack of domestic demand for CPP may be that some subscribers actually prefer the current CMRS model in the United States, whereby the party receiving the call pays for the call. For example, the CTIA report notes that business subscribers favor the traditional U.S. model to encourage customers or would-be customers to call them.<sup>11</sup> Moreover, as discussed in the next section, carriers have begun to offer other services, such as "first incoming minute free" and "wireless caller identification," which may offset some of the benefits which CPP is perceived to provide.

**D. New Calling Features, Such As First Incoming Minute Free and Caller ID, May Provide the Advantages Ascribed to CPP**

Many of the arguments proponents advance for the imposition of CPP concern the imbalance in traffic flows in the U.S. where traditionally it has been assumed that approximately 80 percent of the traffic on CMRS networks originates from CMRS and 20 percent of the traffic originates on the wireline network, while theoretically traffic patterns are more balanced in a CPP framework.<sup>12</sup> In addition, proponents believe that CPP would mitigate concerns some wireless customers have regarding managing incoming calls.<sup>13</sup> It is theorized that improving traffic flows and giving customers greater control over incoming calls would result in an attendant increase in wireless use and greater acceptance of wireless services in general.<sup>14</sup>

Some of the perceived traffic imbalances, however, have already begun to level off due to market forces.<sup>15</sup> BellSouth, along with many other wireless carriers, has implemented several new

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<sup>11</sup> See CTIA Report at 8.

<sup>12</sup> See NOI at ¶ 10; CTIA Report at 8-12.

<sup>13</sup> See CTIA Report at Executive Summary, 6-8. For example, wireless customers may be reluctant to accept incoming calls that may not be important enough to justify paying a measured rate for airtime.

<sup>14</sup> See CTIA Report at Executive Summary, 6-8.

<sup>15</sup> Several of BellSouth's cellular markets are reporting 35 to 40 percent of calls are now land-to-mobile, as compared to the historical model.

calling features to stimulate demand for incoming calls, such as first incoming minute free and caller identification. One carrier, American Personal Communications ("APC"), has reported that the use of first incoming minute free has resulted in a "much more balanced traffic flow . . . than on the traditional cellular networks. . . . approaching 50-50."<sup>16</sup> Most other carriers agree that the feature has boosted the number of incoming calls, and there appears to be a consensus that "first minute free fits together with free voice mail and Caller ID to make subscribers more comfortable leaving their phones on and taking calls."<sup>17</sup> Use of these new calling features may reduce the perceived need for CPP.

**E. The Technical Obstacles that Exist with the Implementation of CPP May Best Be Left to Industry Groups for Solution**

As noted by CTIA, the competitive and dynamic nature of the U.S. telecommunications industry presents unique and complex technical challenges to widespread CPP implementation in the U.S. if there is a market demand for such ubiquitous CPP service.<sup>18</sup> Bell Atlantic has summed up some of the challenges as follows: "The inability to bill for some long distance calls, and the complex jumble of exchanges necessary to pass some calls, is one reason Bell Atlantic NYNEX Mobile only offers the service in Phoenix, Albuquerque, N.M. and El Paso, Texas. Until that leakage problem is solved, we won't expand the service further."<sup>19</sup>

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<sup>16</sup> See *CTIA Preparing White Paper to Raise Awareness of Calling Party Pays*, PCS Week, Vol. 8, No. 17 (Apr. 23, 1997) (discussing making wireless more than an accessory).

<sup>17</sup> See *Industry, Analysts Debate Pros and Cons of Incoming First Minute Free*, PCS Week, Vol. 8, No. 33 (Aug. 13, 1997).

<sup>18</sup> See CTIA Report at 24.

<sup>19</sup> Linda Kay Sakelaris, *US West Cellular Spreads Its Calling Party Pays Service Plan*, Radio Communications Report (Apr. 29, 1996) (quoting BANM spokesman Jim Gerace regarding observations on BANM's southwestern operations).

At present, industry has only just begun to apportion resources to addressing the many technical obstacles must be overcome in order to implement CPP across the U.S.<sup>20</sup> It is as yet unclear whether there is sufficient countervailing demand by consumers for the service to justify significant expenditures which might ultimately be passed on to consumers in the form of higher rates. Moreover, the domestic demand has not emerged up to this point, and therefore the ultimate costs to industry and consumers might not be outweighed by any as yet unproven benefits to be attained.

Accordingly, BellSouth believes the Commission is correct in its recognition of the many technical issues that exist with CPP.<sup>21</sup> Until a fuller record is compiled on this issue, it is premature to impose a regulatory solution to these technical problems, particularly in the form of mandated standards. Rather, these problems may best be left to industry groups for solution, as driven by consumer demand.

## **II. THE PERFORMANCE OF CPP INTERNATIONALLY**

BellSouth operates cellular service internationally in 15 countries, the majority of which have implemented CPP. While CPP may have had a positive market impact overseas in increasing wireless usage, similar success might not easily be replicated in the U.S. due to differences in domestic and international market structures. Accordingly, BellSouth questions any party's reliance upon the international CPP model which ignores the very real differences between U.S. and domestic markets.

Each nation has unique characteristics — the maturity of its wireline and wireless networks, the widespread use of separate NXX blocks as a means of implicit notification, and demand for

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<sup>20</sup> See CTIA Report at 21-24 (addressing the technical issues which must be addressed in dealing with implementation of CPP).

<sup>21</sup> See NOI at ¶ 24.

many types of services. In BellSouth's experience, these factors have influenced the success of CPP very differently in other countries than we would expect to find in the United States.<sup>22</sup> Moreover, other countries have rate structures and billing arrangements for local and long distance wireline calling that differ substantially from those commonly used in the United States. For instance, the other nations where BellSouth does business utilize per-call or per-minute charges for local landline calls, while flat-rate local calling is more prevalent in the United States. In such countries, CPP does not present many of the consumer and regulatory challenges that would be encountered in U.S. markets. Thus, while it would be convenient to rely solely on international experience as a harbinger of positive benefits, such reliance would ignore these and other market differences as well as the technical obstacles mentioned earlier.

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<sup>22</sup> Use of separate NXX codes in the U.S. may not even be possible due to number portability, as this would not allow subscribers to add or delete the CPP service without changing their phone number.

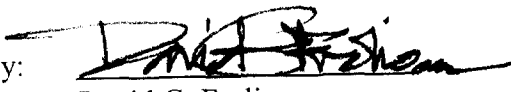
## CONCLUSION

Based on the foregoing, BellSouth urges the Commission to develop a full record on the domestic implementation of CPP before deciding whether to initiate a rulemaking.

Respectfully submitted,

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December 16, 1997



## CERTIFICATE OF SERVICE

I, Crystal M. Clay, hereby certify that on this 16th of December, copies of the foregoing "Comments of BellSouth" in WT Docket No. 97-207 were served by hand on the following:

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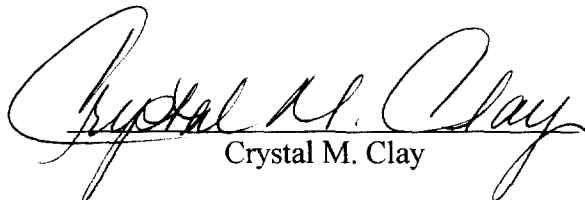
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